

DATE: December 29, 2016

SUBJ: Net Pay Changes in 2016

Changes in your deductions may affect the net pay on paychecks in the new year.

Throughout 2016

In 2016, all insurance premiums (other than Long Term Care Insurance) and all flexible spending account deductions will continue to be taken from the first two paychecks of each month. Nearly all employees will receive a third paycheck in April and September without insurance or flexible spending account deductions.

Changes to some bargaining unit membership dues will result in either an increase or decrease in net pay.

The contribution limits for employees who participate in 403(b) and 457 plans remain unchanged for 2016.

Plan 403(b) – Tax Sheltered Annuity

2016 Annual Maximum Contribution Limits

Participant Age	Maximum Limit
Under Age 50	\$18,000
Age 50 & Over	\$24,000
Catch-Up Provision *	\$27,000

Plan 457 – Deferred Compensation

2016 Annual Maximum Contribution Limits

Participant Age	Maximum Limit
Under Age 50	\$18,000
Age 50 & Over	\$24,000
Catch-Up Provision *	\$36,000

* The Catch-Up Provision permits participants under certain circumstances to contribute up to the maximum limit stated for 2016. For details, contact your plan administrator. (For contact information, refer to [Questions](#) below.)

January 8, 2016 Paycheck

Federal and State Tax Withholding

Changes in federal and state tax tables will be effective on this paycheck.

- **The amount of federal withholding** for any employee may increase or decrease depending on the employee's tax marital status, withholding allowances, and amount of taxable gross pay.
- **The amount of state withholding** for any employee may increase or decrease depending on the employee's tax marital status, withholding allowances, and amount of taxable gross pay.
- **The federal supplemental tax rate** remains unchanged at 25%. The Minnesota supplemental tax rate will remain unchanged at 6.25%.
- **FICA withholding** for employees will remain unchanged at 6.2% for 2016.
- **The maximum annual earnings subject to FICA** remains unchanged at \$118,500 for 2016.
- **Medicare** continues at 1.45% on all earnings subject to Medicare with an additional Employee Contribution Rate of 0.9% when the annual earnings subject to Medicare is \$200,000 and above.

Charitable Contributions

Employees who entered Combined Charities Campaign pledge amounts on the Self Service website using the default dates supplied on the Voluntary Deductions page will see the deduction starting on

this check. Employees are responsible for managing their own charitable contributions using the links and instructions on the Self Service website. Employees can add, stop or edit a charitable deduction at any time.

Flexible Spending Accounts (Dependent Care, Medical/Dental Expense and Transit Expense)

The 2015 deductions for Dependent Care, Medical/Dental Expense, Transit Expense Account-Parking, and Transit Expense Account-Bus Pass/Vanpool were stopped after the pay period ending December 15. New amounts authorized by employees for 2016 will be deducted starting with this paycheck. All of these accounts are exempt from federal, state, FICA, and Medicare tax withholding, so if employees added, stopped, or changed the amounts during open enrollment, their tax withholding will be affected.

Insurance

2016 insurance rates will be effective with this paycheck. For details on rates, refer to the 2016 Enrollment Information at <http://www.mn.gov/mmb/segip/open-enrollment/>.

- **Medical Insurance:**

The employee-paid portion of medical insurance premiums will increase by 7.4% for most employees for 2016. The minimum employee contribution for single medical coverage will be \$14.10 per paycheck. The minimum employee contribution for family coverage will be \$96.22 per paycheck, with the single contribution added.

- **Dental Insurance:**

The minimum employee contribution for single dental contribution remains \$5 per month while the employee contribution for family premiums will decrease slightly to \$34.06 per month.

Employees who made changes to medical and/or dental insurance during open enrollment will see the new premium on this paycheck. For those employees who have their premiums taken pre-tax, an increase in the deductions (e.g., employee-paid dental insurance or if an employee changed from single to family medical coverage) will decrease federal, state, FICA, and Medicare tax withholding slightly.

Other employee-paid insurance changes will also be effective on this paycheck. Employees who made changes to their long-term disability, optional employee or spouse life insurance and/or manager's income protection plan during open enrollment will see the new premium on this paycheck. Also, employees with optional employee or spouse life insurance will notice an increase in premium if the age of the employee or spouse changed to a five-year increment in 2015; e.g., the employee changed from 39 to 40 years old in 2015. Employee-paid life and disability insurance does not have an effect on tax withholding.

Retirement Rates

There are no changes to retirement contribution rates in January 2016 for either employees or employer.

Questions?

Insurance: If an incorrect amount is being deducted for any insurance or pre-tax expense account, contact the State Employees Insurance Program at 651-355-0100 or segip.mmb@state.mn.us.

Plans 403(b) and 457:

- For Plan 403(b) – Tax Sheltered Annuity questions, contact 1-800-682-8969 or <http://www.tiaa-cref.org/mnscu/index.htm>.
- For Plan 457 – Deferred Compensation questions, contact 1-877-457-6466 (toll free) or <http://www.mndcplan.com>.

Other: If you have other questions about this information, contact your Human Resources or Payroll office. You can obtain contact information from within Self Service: under **Need Assistance?**, select **Employee Contacts**.